



PRESS RELEASE

Internal Revenue Service - Criminal Investigation *Chief Richard Weber*

Date: December 15, 2016

Contact: *CI-HQ-COMMUNICATIONSEDUCATION@ci.irs.gov
IRS – Criminal Investigation

CI Release #: CI-2016-12-15-A

Iowa Businessman Sentenced to More Than a Year in Prison for Failing to Pay Employment Taxes

A Forest City, Iowa businessman was sentenced to 13 months in prison yesterday in federal court for failing to pay employment taxes, announced Principal Deputy Assistant Attorney General Caroline D. Ciralo, head of the Justice Department's Tax Division, and U.S. Attorney Kevin W. Techau for the Northern District of Iowa.

Darrell Smith, 60, was the president and general partner of Energae, which was a minority investor in Permeate Refining LLC., an ethanol-production business in Hopkinton, Iowa. In his position at Energae, Smith had significant control over the finances of Permeate and was responsible for paying over to the Internal Revenue Service (IRS) the employment tax on behalf of Permeate's employees. From the first quarter of 2011 through the third quarter of 2012, Smith failed to pay over \$502,863. After Smith discovered that a subordinate employee had made some payments to the IRS, Smith stopped that employee from making further payments.

On June 22, Smith pleaded guilty to one count of failing to pay employment taxes. In addition to the term of prison imposed, Smith was also ordered to serve two years of supervised release.

"Willful failure to comply with employment tax obligations is a crime," said Principal Deputy Assistant Attorney General Ciralo. "Darrell Smith's jail sentence sends the clear message that the Department will work to ensure that withholdings due to the United States are in fact paid to the Treasury and that honest employers are given the opportunity to compete on a level playing field."

"Mr. Smith's failure to pay employment taxes for over a year was an attempt to dodge his obligations to his employees and to the United States," said U.S. Attorney Techau. "Our system and our citizens depend upon employers like Mr. Smith to be honest and pay what they owe in employment taxes. This sentence shows that failing to do so is criminal and there will be consequences."

Smith's co-defendant Randy Less pleaded guilty on June 14 to failing to pay employment taxes and violating the Clean Water Act. Sentencing is scheduled for March 23, 2017.

Principal Deputy Assistant Attorney General Ciralo and U.S. Attorney Techau thanked special agents of IRS-Criminal Investigation, FBI, the U.S. Postal Inspection Service and the U.S. Environmental Protection Agency, who conducted the investigation, and Assistant U.S. Attorney

Tim Vavricek of the Northern District of Iowa and Trial Attorney Matthew Hoffman of the Tax Division, who prosecuted the case.

#